

Asia's disrupters

The heart of global trade and a hotbed of innovation, Asia has been surprisingly slow to embrace fintech in trade. **Mark Smith** finds three trade and logistics tech start-ups that are bucking the trend.

The rapid rise of disruptive technology in recent years has been most keenly felt by the financial sector.

Buoyed by the huge amount of venture capital funding being ploughed into fintech start-ups, entrepreneurs have focused their attention on developing apps and web tech that impacted mainly on banking and insurance services.

According to consultancy firm Accenture, last year Asia Pacific saw fintech investment more than

Lalamove

This Uber-like firm lets users download an app so they can choose a pick-up and drop-off point for their item, and then pay for it to be delivered using one of the network's 30,000 freelance drivers.

It operates in 15 Chinese cities as well as Bangkok, Taipei, Singapore and Hong Kong.

GTR spoke with Blake Larson, head of international at Lalamove.

GTR: What is so special about your technology?

Larson: Technology has changed people's habits. They now expect effortless and fast interactions. With our app we bring more convenience, speed, transparency and lower prices to the market.

We enable companies to simplify their logistics flow by integrating our technology directly into their system and deliver their product instantly within a city.

GTR: What are the next stages of your development? Where do you see your tech in five years?

Larson: In the early days of our development, we focused on consumers and small businesses. Since 2015 we have worked with larger enterprises

Sector: Same-day delivery service

Annual turnover: Aiming for profitability by the end of the year

Number of employees: 300

Headquarters: Hong Kong

Ambition: Grow its business in Southeast Asia and achieve profitability

“Start-ups might look very sexy in the US but in Asia the ecosystem is not as developed yet.”

Blake Larson, Lalamove

looking for flexibility and speed at a lower cost.

Five years from now, Lalamove's network will cover the whole of Asia as well as most of the world. Our strength is an asset-light, scalable product that we can easily replicate in new cities.

GTR: What challenges have you faced?

Larson: One of the challenges we faced early on is recruitment – start-ups might look very sexy in the US but in Asia the ecosystem is not as developed

yet. Until recently, graduates preferred the safety of larger corporations to the risk associated with tech companies. However, this is changing rapidly. Finding the right talent, especially in IT, is a general challenge for most start-ups in Asia.

GTR: Where does Asia sit in the context of disruptive trade tech compared to the rest of the world?

Larson: Asia has been lagging behind for a long time, but things have really changed since 2015 and we are catching up rapidly. As mentioned earlier, it is mostly due to cultural issues – stability versus innovation. That being said, China is way ahead of the rest of the world when it comes to mobile payments: nobody else is even close.

GTR: Have you had any interest from banks or other companies in your technology?

Larson: As every business does some type of delivery, whether it is B2C, B2B or just documents, Lalamove's model is something that most investors can see the value in. We've received a lot of enquiries from banks and logistics industry as well as traditional financial institutions on how we could add both strategic and financial value as partners.

Digix

Sector: Asset tokenisation/digital asset custodian

Annual turnover: Estimated US\$2mn for this fiscal year

Number of employees: 5

Headquarters: Singapore

Ambition: To expand into a holdings group with companies in consulting, accelerator, capital funding, physical asset storage, wealth and asset management services, including a collateral platform for matching lenders and borrowers.

Imagine if you could trade gold without having to actually store it in your warehouse? The original gold standard allowed for the transfer of the value of gold, rather than the actual bullion itself.

Instead of physically owning the gold, you'd own a proof of purchase for that gold which would be stored elsewhere. It could then be passed from one individual or organisation to the next.

This gold standard was abandoned by most countries in the 20th century, but now there is a digital equivalent.

Digix is built on a blockchain-based system called Ethereum. Put in simple terms, Ethereum allows assets such as gold to be traded digitally. It's virtually impervious to hacking and fraud because the whole process is undertaken over a distributed network.

Instead of one computer, there could be many thousands, with numerous users able to verify that what you own and trade is accurate.

Digix allows users to use its app to purchase gold and convert it into

digital tokens, then redeem its value at the other end, outside of Digix, on crypto-asset exchanges or blockchain financial institutions.

The advantages of such technology are clear: allowing companies to trade instantly with the click of a mouse in a way that is secure and precise.

GTR spoke with co-founder and director of business development, Shaun Djie.

GTR: What is so special about your technology?

Djie: Compared to bitcoin, Ethereum is more versatile in terms of deployment on the blockchain. A gold-backed cryptocurrency is popular because the gold standard is familiar to people.

GTR: What are the next stages of your development? Where do you see your tech in five years?

Djie: Over the next five years we see ourselves building other services on top of what we already have, such as being a digital asset custodian, providing a one-stop cold storage offline service for clients who wish to safe-keep their digital assets with Digix. We also want to look at including materials other than gold such as silver and platinum, or even diamonds.

GTR: What challenges have you faced?

Djie: The challenges we face mostly are off-chain related matters, not specific to regions in Asia or jurisdictions. Regulatory compliance is definitely an area we exercise great prudence on.

“Asia has one of the highest unbanked citizen per banked individual ratio in the world.”

Shaun Djie, Ethereum

GTR: Where does Asia sit in the context of disruptive trade tech compared to the rest of the world?

Djie: Asia has one of the highest unbanked citizen per banked individual ratio in the world. This is speaking from the fintech perspective, where I see great potential for exposure of payments, wealth management and storage businesses to establish their blueprint.

I'd say we are pretty much near or at the forefront of disruptive technologies. The future and the profitability of businesses centres around a company's role in the unbanked, small mom-and-pop users, retail users who reside in developed nations and own smart devices, who will stand to hugely benefit from the advances of fintech. It's not necessarily the established corporations, who already have their way of accessing financial services.

GTR: Have you had any interest from banks or other companies in your technology?

Djie: No we have not. We do have soft interest from government-linked investment funds and private venture capital firms.

quadruple to US\$4.3bn.

In the first three months of 2016, APAC investments increased by 517% compared to the same period last year – from US\$445mn to US\$2.7bn. It is now the second biggest region for fintech investment after North America, accounting for 19% of global financing activity, up from just 6% in 2010.

And with disruptive tech having made serious inroads into the traditional territory of some of the financial world's biggest players, now well-established

trade and logistics organisations in Asia and around the globe are looking over their shoulder too.

Nevertheless, disruption in the trade space is still very much in its infancy in Asia. Accenture says its experts in the region have yet to see major inroads made into the sector, but that blockchain – the distributed ledger system which underpins the cryptocurrency bitcoin – could be one technology that has a big impact.

“We're seeing fintech innovation in areas that

help banks become more efficient and streamlined,” says Jon Allaway, senior managing director at Accenture and the executive sponsor of the Fintech Innovation Lab Asia Pacific. “Although we’re not seeing it yet, blockchain technology may be an area that start-ups use in the trade space in Asia Pacific.”

Gaining a clear picture of what’s happening in the trade space is further complicated by a lack of empirical data. Deborah Elms, executive director of the Asian Trade Centre and a senior fellow in the Singapore ministry of trade and industry’s Trade Academy, says there are still no statistics available that

clearly illustrate the proportion of trade business being taken up by disruptive start-ups at the expense of the bigger players.

Indeed, trade disruption seems to be sporadic in nature at this point, and while blockchain may prove a big disruptor further down the line, for now logistics services that rely on apps are leading the way. Their path to prominence is helped by the nature of Asia’s preeminent cities: often densely populated and lacking in the more established and dominant logistics players that might be seen in more mature western markets. GTR

OpenPort

OpenPort provides app-based services for tracking business-to-business shipments, allowing shipping and forwarding companies and their clients to track deliveries on one single platform.

GTR spoke with Max Ward, CEO and co-founder.

GTR: What is so special about your technology?

Ward: We take data from the platforms of the world’s largest supply chains – thousands of delivery orders at a time – from SAP and allocate them directly to the mobile handset of any truck driver in the country.

We then give real-time status updates on each shipment and can optimise for the lowest cost and the trucking provider with the best performance ratings – continuous optimisation, all while cutting out the middle-man for huge savings. We are talking about companies that spend tens of millions of dollars in a particular country (such as Indonesia), and where the logistics spend is a much higher percentage of overall sales than more mature markets (three or four times more).

GTR: What are the next stages of your development? Where do you see your tech in five years?

Ward: We are launching a new marketplace product providing “on-demand procurement” for heavy

shipment volumes, driving even further savings to these multinationals and allowing any transporter who signs up to our platform to access the big shippers directly.

We are also targeting payment gateways and internet of things connectivity in the future.

GTR: What challenges have you faced?

“Hong Kong has developed a nice ecosystem to support start-ups.”

Max Ward, OpenPort

Ward: Some governments are more difficult than others: Indonesia has a lengthy licensing system (but we made it through that process) and Brunei promised government aid but failed to deliver. Hong Kong has developed a nice ecosystem to support start-ups and virtually all our funding has come from there.

India can be very bureaucratic and I have been surprised by the ease of doing business in Pakistan in many ways – interesting days!

GTR: Where does Asia sit in the context of disruptive trade tech compared to the rest of the world?

Ward: Asia has a chance to lead. The challenges related to congestion,

Sector: Logistics

Turnover: Confidential

Headquarters: Hong Kong

Staff numbers: 30+

Ambition: To pioneer Open Enterprise Logistics (OEL) in emerging markets, becoming the leading platform for enterprise transport management.

fragmentation, all amidst high growth, create an environment which necessitates new networks.

Here is where an ‘Uber for logistics’ can really happen. OpenPort is working with the world’s largest supply chains: we don’t have to start with small players. This allows us to build open networks with the largest shippers and bring those directly to the local guys. It is hard in mature markets to disrupt long-term contracts held by DHL and others.

In Indonesia and elsewhere things simply have to change otherwise the big companies can’t run their business – it’s a great opportunity for us.

GTR: Have you had any interest from banks or other companies in your technology?

Ward: Yes we have – two third-party logistics companies and a couple of Asia-based conglomerates with interest in financial services. But we decided to go with a global private equity fund which is increasing its venture activity in Southeast Asia and a Hong Kong-based fund.